

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ADP-00 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SS-15 USIA-15 COME-00 TRSE-00 OMB-01 SCEM-02

OPIC-12 CIEP-02 RSR-01 /144 W
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R 220950Z AUG 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1872

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L THE HAGUE 3683

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: LIBYA-OIL COMPANY NEGOTIATIONS

REFERENCE: A) STATE 158761 B) STATE 160204

1. TO MAINTAIN CONTACT WITH GON ON PETROLEUM SUPPLY POLICY AND IN VIEW OF SHELL INVOLVEMENT IN OASIS NEGOTIATION, WE DISCUSSED SITUATION LAST WEEK WITH VAN EUPEN, VAN RHIJN'S ASSISTANT IN DIRECTORATE GENERAL OF ENERGY. WE RAISED SUBJECTS OF POSITION OF SHELL AND GON RE LIBYAN DEMANDS AND EFFECT INCREASED COSTS OF CRUDE MAY HAVE ON ATTITUDES OF CONSUMER GOVERNMENTS. VAN EUPEN MADE FOLLOWING
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OBSERVATIONS.

2. IN SHELL'S VIEW 51 PERCENT LARG OWNERSHIP IS IN ITSELF NO
SERIOUS PROBLEM. OTHER FACTORS, HOWEVER, MAKE LARGE PROPOSAL UNACCEPT

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ABLE FOR SHELL AND OTHER MAJORS: ACCEPTANCE OF NET BOOK VALUE IN
PAYMENT WOULD BE DISASTROUS PRECEDENT; BUYBACK PRICE OF DOLS 4.90
WOULD CAUSE IMMEDIATE PRESSURE ON PRICES OTHER AREAS; EVEN DOLS 4.90
GUARANTEE IS ONLY FOR SIX MONTHS. IN SUM, RISK RESULTING FROM
AGREEMENT TO LIBYAN OFFIER IS GREATER THAN RISK OF LOSS THOUGH
RESISTANCE.

3. RE LOSS OF SUPPLY WHICH MIGHT RESULT FROM LIBYAN EXPROPRIATION,
VAN EUPEN POINTED OUT THAT EXPROPRIATION HAD OCCURRED BUT PRODUCTION

WAS CONTINUING WITH OCCIDENTAL, OASIS (MINUS SHELL) AND ENI. PRODUCTION
OF MAJORS, STILL SUBJECT TO NEGOTIATION AND ARG ACTION, IS LESS
THAN HALF OF TOTAL LIBYAN PRODUCTION AND CAN BE ABSORBED FOR TIME
BEING WITH SOME EFFORT IF CUT OFF. THEREFORE ANY FORESEEABLE SHUT-
IN BY LARG WOULD BE TROUBLESOME BUT NOT CALAMITOUS PROBLEM
FOR CONSUMERS.

4. VAN EUPEN FELT THAT INCREASED PRICES ARE NOT LIKELY TO TRIGGER
CONSUMER GOVERNMENT DEFENSIVE ACTION. INSTEAD SUCH ACTION WOULD
LIKELY BE TRIGGERED BY SERIOUS SHORTAGES OF SUPPLY. WORK OF OECD
WORKING GROUP ON OIL SHARING IS AIMED AT PROBLEMS CAUSED BY REDUC-
TION OR LIMITATION OF SUPPLY BY PRODUCERS, NOT THOSE CAUSED BY PRICE
RISES.

5. IN CASE LARG NATIONALIZES PROPERTY WITHOUT AGREEMENT OF COMPANIES
CONCERNED AND PUTS THIS CRUDE ON MARKET, IT WILL BE VERY DIFFICULT
TO ORGANIZE AND SUSTAIN BOYCOTT BY CONSUMER COUNTRIES, ACCORDING
TO VAN EUPEN.
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